

NO PROTECT PROCEEDING
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Surname

OCT 1 1990

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax under section 501(c)(7) of the Internal Revenue Code.

The information available indicates that you were incorporated on [REDACTED], under the laws of the state of [REDACTED]. Your purpose, as represented in your Bylaws, is to promote and to provide meeting facilities and conveniences for the social intercourse and entertainment of your members. You have further stated that you are presently renovating an old storage shed that you will be leasing from a church. Once completed, the premises will be rented out for wedding parties, banquets or other social or religious gatherings.

You are a holding corporation of [REDACTED]. All of your members are members of [REDACTED]. Each member is entitled to one vote.

Your income is presently derived from interest free loans from members of [REDACTED]. Future income will come from rent of the renovated shed. You have indicated that nonmembers use of your club facilities accounts for [REDACTED] % of your gross receipts.

Section 501(c)(7) of the Code provides for the exemption from federal income tax of social clubs organized for pleasure or recreation, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Public Law 94-68 enacted October 20, 1976, states that clubs are permitted to receive up to 35 percent of their gross receipts, including investment income from sources outside of their membership. However, not more than 15 percent of the gross receipts may be derived from the use of a club's facilities or services by the general public. Clubs may receive the full 35 percent of their gross receipts from investment income sources (reduced by any amount of nonmember income up to the 15 percent).

[REDACTED]

Based on the information submitted, we conclude that you do not qualify for exemption from federal income tax under section 501(c)(7) of the Code.

Your income from nonmember sources, accounts for [REDACTED] % of your gross receipts. These receipts considerably exceed the permissible limitation of 15% as enunciated in Public Law 94-568.

Accordingly, you do not qualify for exemption from federal income tax under section 501(c)(7) of the Code. You are, therefore, required to file federal income tax returns.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your principal officers, must be submitted in duplicate within 30 days from the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your principal officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Procedures.

If we don't hear from you within 30 days, this ruling will become final and copies of it will be forwarded to your key District Director. Thereafter, any questions about your federal income tax status or the filing of tax returns should be addressed to that office.

When submitting additional letters with respect to this case to the Internal Revenue Service, you will expedite their receipt by placing the following symbols on the envelope: [REDACTED], [REDACTED]. These symbols do not refer to your case but rather to its location.

Sincerely yours,

[REDACTED]
[REDACTED]
Chief, Exempt Organizations
Rulings Branch 2

cc: [REDACTED]
Attn: EO Group